11 July 1951

NUMBERANDUM FOR: Deputy Director (Administration).

PECH

: Auditor

SILIBOT

: Audit of Confidential Funds Disbursements and Accounts Relating to the Office of Policy Coordination

As a part of the sudit of confidential funds transactions recorded during the period 1 July 1949 through 31 December 1950, a review of the distursements and accounts identified with project activities of the Office of Policy Coordination has been completed. Pending the submission of a report and certification covering the entire audit, an interim report is here presented in order that you may be informed of this particular phase of the audit.

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With very few minor exceptions, in connection with which corrective action has been taken or initiated, the expenses sudited were found to have been incurred for authorised purposes and to conform to the regulations governing the use of confidential funds.

Review of the advance accounts disclosed an unsatisfactory condition in the following two respects:

- 1. The accounts were not properly maintained so as to provide an adequate record of accountability for funds advanced.
- 2. Many accounts were seriously delinquent with several involving a situation in which it appears that accountings may not be obtainable.

The general ledger accounts as maintained did not provide a segregation of OPC operational and project advances from those of other
effices; advances for projects were often recorded in the names of
same afficers and others who acted merely as intermediaries in
delivering funds and were not ultimately accountable; operational,
travel and personal advances as well as compensation accruals and
payments to agents were frequently intermingled in a single account;
sredits to accounts involving a multiplicity of advances were not
identified with the particular advances to which they pertained; a
shremalogical, item-by-item record of many accounts was not provided
since balances had been transferred between accounts as lump-sum
security; and more than one subsidiary account was maintained for
some individuals with credits posted to these accounts without regard
to whather the related advances were included in the record to which
posting was made.

On the basis of recommendations made during the audit, the general ledger accounts and the procedures for maintaining currently the subsidiary accounts of OPC advances were satisfactorily revised and the Finance Division has undertaken a program of analysis and reconstruction of all outstanding accounts which, when accomplished, should eliminate the unsatisfactory condition first noted. This program will require considerable time for completion and should be expedited to the fullest extent.

of the secounts outstanding at 31 December 1950 in the names of individuals, many involved unaccounted-for advances which were more than 6 months old at the time of review and dated back as far as September 1955. Also, in numerous instances, advances charged to projects had been outstanding for excessive periods of time without proper accounting. A procedure has recently been developed by the Finance Division which provides for regular review of the outstanding accounts and follow-up measures in connection with delinquent items. However, the affective operation of this procedure is to an extent dependent upon the analysis and reconstruction of accounts aforementioned, and economic and implementation by the OPC operating division concerned in securing accountings for funds advanced and refunds of unexpended amounts.

The following is a brief description of the present status of those assounts outstanding at 31 December 1950 which are considered to require especial attention either because of the age of the advances 25×1°C or other considerations:

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Throughout the sudit of expenses and examination of the advance accounts there was evident a general laxity in accounting promptly for expenditures of funds and in returning unexpended amounts. While in some cases the delays may be fairly attributable to operational considerations, in most instances they appear unjustifiable. Thereughgoing measures, particularly at the operational level, are required to correct this situation.

In the course of sudit those matters of a general nature which were considered to require attention or corrective action were resolved through discussions with interested finance and operational personnel. Motices of Exception, which included specific recommendations for corrective action, were submitted to the Finance Division in connection with accounting matters requiring adjustment.

A material improvement was evident in the financial plans developed by the Covert Coordination Committee for proprietary and subsidy projects over those examined in the preceding audit. These financial plans, while generally providing for the write-off of investments and subsidy payments upon completion of certain financial and legal requirements, contemplate a continuing review as financial reports covering the operations of the projects as such are available. This function is assuming increased importance as the projects pass from a formative to an operating stage and is highly essential from a control standpoint. It is believed that responsibility for this review should logically be placed in the Covert Coordination Committee as a further function, and it is so recommended.

Attached hereto for informational purposes is a schedule showing the total supenses and advances audited, the totals for each project involving funds of \$25,000 or more, and a brief description of those projects involving funds of \$200,000 or more.

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REPORT OF AUDIT

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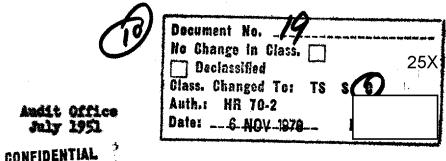
COMPIDENTIAL FUNDS

DISBURSED ON BEHALF

OF

OFFICE OF POLICY COORDINATION

For the Period 1 July 1919 through 31 December 1950



Approved For Release 2002